



ST HELENS
BOROUGH COUNCIL

Cabinet Report

13 September 2023

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| Report Title | St Helens Town Centre Phase 1 Investment | |
| Cabinet Portfolio | Regeneration and Planning Corporate Services | |
| Cabinet Member | Councillor Richard McCauley Councillor Martin Bond | |
| Exempt Report | No | |
| Reason for Exemption | N/A | |
| Key Decision | Yes | |
| Public Notice issued | General Exception | |
| Wards Affected | Town Centre | |
| Report of | Cath Fogarty Executive Director Corporate Services Cathfogarty@sthelens.gov.uk | Lisa Harris Executive Director Place Services Lisaharris@sthelens.gov.uk |
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|---------------------------|-------------------------------------------------------------------------|---|
| Borough Priorities | Ensure children and young people have a positive start in life. | X |
| | Promote good health, independence, and care across our communities. | X |
| | Create safe and strong communities and neighbourhoods for all. | X |
| | Support a strong, thriving, inclusive and well-connected local economy. | X |
| | Create green and vibrant places that reflect our heritage and culture. | X |
| | Be a responsible Council. | X |

1. Summary

- 1.1 At an extra-ordinary meeting of Cabinet on 6 March 2020, agreement was reached to appoint the English Cities Fund (ECF) as its preferred strategic partner to deliver boroughwide comprehensive regeneration and economic growth. The English Cities Fund is a successful Joint Venture Limited Partnership between Muse, Legal & General and Homes England, providing an effective mechanism to deliver a comprehensive regeneration programme for the borough.
- 1.2 In accordance Our Borough Strategy, the regeneration of St Helens town centre (alongside that of Earlestown) was identified as a priority for the Councils partnership with the English Cities Fund, and significant progress has been to date with the adoption of the St Helens Masterplan Development Framework, securing of initial planning permission and positive progression of the vacant possession strategy to enable the development of Phase 1 and the recently granted Compulsory Purchase order(CPO). The English Cities Fund Annual Progress Reports for 2023 (presented elsewhere on the agenda), provide further information on the partnership's positive activity to date.
- 1.3 The Phase 1 regeneration area for St Helens town centre is located at its very heart, focussing on the footprint of the current Hardshaw Shopping Centre and gateway arrival point of St Helens bus and rail station. It proposes a high-quality aspirational development that will deliver a new market hall, hotel, office, housing, all linked together by extensive public realm improvements, alongside a new and extended bus station. This will collectively act as a catalyst for the necessary radical transformation of St Helens town centre and improve the viability for delivery of future phased initiatives in general accordance with the adopted Masterplan Development Framework.
- 1.4 From the outset of the strategic partnership with the English Cities Fund it was recognised that the deep-rooted challenges facing St Helens town centre would require investment from the Council to enable the Phase 1 development. Accordingly, provision was identified in the capital pipeline of the Medium-Term Financial Strategy (MTFS), recognising that a formal decision would be taken on the investment as the detailed design and business plan for Phase 1 development proposals progressed.
- 1.5 During the period of design advancement following adoption of the Masterplan Development Framework in February 2022 significant changes have been experienced across the global economy, including increased interest rate charges for borrowing and dramatic rises in construction materials and resultant tender pricing. Coupled with increasing demand being faced for Council services, inflationary pressures and (like most Councils) limited increases in funding support from central Government, this creates a significant challenge to investment decisions in the current climate.
- 1.6 It has therefore been necessary to review the delivery strategy for the St Helens town centre Phase 1 development and, recognising their catalytic influence on the successful achievement of Our Borough Strategy, a positive sub-phasing ('Phase 1A') proposal has been identified working closely with the English Cities Fund to enable the earliest progression of the regeneration initiative within the Council's current financial envelope without creating additional pressure on other budgets.

2. Recommendation for Decision

Cabinet is recommended to:

- (i) Approve the investment of £69.2m of Council funding to deliver Phase 1A of the St Helens town centre regeneration initiative. This has been identified within the Council's Medium-Term Financial Strategy pipeline.
- (ii) Delegate authority to the Executive Director of Place (in consultation with the Cabinet Member for Regeneration and Planning and the Section 151 Officer) to authorise up to £1.5m expenditure from within the overall budget to enable progression to final design including the commissioning of Phase 1 to RIBA stage 4 (Technical Design) stage, any necessary costs to secure energy for the site and to underwrite the costs of the pre-contract service agreement.
- iii) Delegate authority to the Executive Director for Place Services (in consultation with the Cabinet Members for Regeneration and Planning and Corporate Services and the Director of Legal & Governance) to approve and finalise the management and franchise legal agreements associated with the new hotel forming part of the Phase 1A development.
- (iii) Delegate authority to the Executive Director of Place (in consultation with the Cabinet Member for Strategic Transport and Executive Director for Corporate Services) to authorise £2.0m expenditure in relation to the continuation of the design requirements for the St Helens Multi Model Interchange and accept the related funding from Liverpool City Region Combined Authority.
- (iv) Note the decision of the Planning Inspector on 23 August 2023 to confirm the St Helens Borough Council (St Helens Town Centre) Compulsory Purchase Order 2022.

3. Purpose of this report

- 3.1 To update Cabinet on positive progress with the St Helens town centre regeneration initiative and seek approval to Medium Term Financial Strategy Capital Pipeline investment, together with approval for relevant delegations of authority to progress the earliest delivery of Phase 1A following the successful confirmation of the St Helens Borough Council (St Helens Town Centre) Compulsory Purchase Order 2022.

4. Background / Reason for the recommendations

- 4.1 At an extra-ordinary meeting of Cabinet on 6 March 2020, agreement was reached to appoint the English Cities Fund as its preferred strategic partner to deliver boroughwide comprehensive regeneration and economic growth. The English Cities Fund is a successful Joint Venture Limited Partnership between Muse, Legal & General and Homes England, providing an effective mechanism to deliver a comprehensive regeneration programme for the borough.
- 4.2 In accordance Our Borough Strategy, the regeneration of St Helens town centre (alongside that of Earlestown) was identified as a priority for the Councils partnership with the English Cities Fund and significant progress has been made through the adoption of the St Helens Masterplan Development Framework, securing of initial planning permission and positive progression of the vacant possession strategy to enable the development of Phase 1. The English Cities Fund Annual Progress

Reports for 2023 (presented elsewhere on the Cabinet agenda), provide further information on the partnership's positive activity to date.

Masterplan Development Framework

- 4.3 The St Helens Town Centre Masterplan Development Framework is an ambitious long-term plan for investment across St Helens town centre, which was adopted by Cabinet at its meeting of 2 February 2022 following extensive public engagement and provides the basis for transformation of St Helens town centre.

Phase 1 Development

- 4.4 To catalyse the long-term Masterplan Development Framework and improve viability for future phases, the ECF partnership have formed an aspirational Phase 1 St Helens town centre development proposals that will result in substantial public benefits. The Phase 1 regeneration area for St Helens town centre is located at its very heart, focussing on the footprint of the current Hardshaw Shopping Centre and gateway arrival point of St Helens bus and rail station. It proposes a high-quality aspirational development that will deliver a new market hall, hotel, office, housing, linked together by extensive public realm improvements, alongside a new and extended bus station. Please refer to Appendix B for illustrative plans of the Phase 1 development proposals.

- 4.5 The Phase 1 development forms part of the St Helens Town Investment Plan, there being two related Town Deal projects with secured Town Deal Grant support of £10.490m. The Phase 1 proposals have also been awarded £0.812m from the One Public Estate Brownfield Land Release Fund to help deliver the residential element of Phase 1.

- 4.6 RIBA (Royal Institute of British Architects) Stage 3 (detailed design stage) has now been reached and, alongside this positive progress, several other work streams are being taken forward in parallel as outlined below:

Property Acquisitions and Compulsory Purchase Order

- 4.7 Considerable progress has been made with respect to the acquisition of properties and related interests required pursuant to the earliest commencement of St Helens town centre regeneration initiatives. The primary focus has been on resolution through negotiated settlement, which has been successful, but where negotiation has not progressed positively then (in accordance with the Cabinet decision at its meeting of 9 November 2022) the Council has reserved the right to use Compulsory Purchase Order powers. A resultant public inquiry was held on 8 August 2023 and supported by the English Cities Fund partnership.

Planning

- 4.8 Hybrid planning consent has been secured for the proposals set out within the St Helens Town Centre Masterplan Development Framework (planning application reference P/2022/0212/HYBR relates). In June 2023, the English Cities Fund partnership conducted public engagement to inform the Reserved Matters application for the Phase 1 development proposals, which involved 15 in-person events hosted across the Borough with over 1,300 attendees and over 8,600 visitors to the consultation website. The Reserved Matters planning submission for Phase 1 development has been finalised, informed (where appropriate) by the consultation responses, and is scheduled for submission in September 2023.

Business Plan

- 4.9 It is considered important to recognise that Cabinet, the Town Deal Board and Government have all formally supported the two Town Deal project Business Cases that relate to the Phase 1 development, identifying such development as the preferred option from a longlist assessment and representing 'acceptable' value for money for the Town Centre Regeneration & Living element and 'high' value for money for the Connected Places element.
- 4.10 Notwithstanding the Business Case findings of the two related Town Deal projects, a Business Plan that relates to the Council's pipeline financial provisions for the Phase 1 development has been the subject of continuous evolution in partnership with the English Cities Fund, informed and updated by progression of the detailed design together with related cost management input and financial appraisals. A summary of its components, their evolution and related considerations are provided below.
- 4.10.1 Following expert market demand reports and engagement with the local business communities, a new aspirational hotel has been identified as a Critical Success Factor for the Phase 1 development and the English Cities Fund partnership has successfully identified an international brand and an operator for the facility, with Heads of Terms negotiated and agreed for their respective appointments.
- 4.10.2 A new Market Hall was also identified by the English Cities Fund partnership as being integral to the Phase 1 development, with many other recent successful town centre regeneration initiatives (in areas such as Altrincham, Chester, Southport and Warrington) including such an anchor facility. It has been recognised that the Council would need to fund that capital element of the Phase 1 development proposals as there is no current investor interest, although there may be positive operator revenue interest once built.
- 4.10.3 The provision of appropriate infrastructure to support not only Phase 1 development but also the wider Masterplan Development Framework has been identified as essential, which includes for new public realm and landscaping, a new bus station, improved digital infrastructure and active travel linkages as part of a wider multi modal package. A cocktail of related funding support has been secured, including from the Liverpool City Region Combined Authority (through the City Region Sustainable Transport Settlement, subject to a full business case approval process) and from the Town Deal projects, but there remains an investment requirement from the Council.
- 4.10.4 An Overarching Development Agreement governs the English Cities Fund strategic partnership with the Council and when it was originally entered into in on 3 December 2020 it envisaged that the English Cities Fund would deliver and fund most of the Phase 1 development; however due to subsequent viability issues identified during the scheme appraisal process, it was subsequently recognised that the Council would need to be the key investor in order to progress the Phase 1 development, and this has been reflected in the Council's Medium Term Financial Strategy.
- 4.10.5 Accordingly, from its Medium-Term Financial Strategy, the Council projected that it would be required to fund the building of the new hotel, but that the rental received would meet the cost of capital borrowing, and similarly that the Council would fund the delivery of the new offices and the rental would meet the cost of capital borrowing. In addition, the Council needed to fund the acquisitions of key properties such as the Hardshaw Shopping Centre and the leasehold interest of businesses

therein, which required additional Council funding to be reflected in the Medium-Term Financial Strategy.

- 4.10.6 During the period of design advancement following adoption of the Masterplan Development Framework in February 2022 significant changes were experienced across the global economy, including increased interest rate charges for borrowing and dramatic rises in construction materials and resultant tender pricing. This coincided with post-Covid increasing demand being faced for Council services, inflationary pressures and (like most Councils) limited increases in funding support from central Government.
- 4.10.7 Consequently, many local authorities are pausing or cancelling their regeneration schemes and other capital investments; however, in recognition of the critical nature of the St Helens town centre regeneration initiative to the future of the borough a review has been undertaken to consider what is possible to deliver now within the “approved” Council resources. The recommendations of this review are provided below.

Phase 1A Proposals

- 4.11 The Council remains committed to the delivery of Phase 1, but it is recognised that to maintain momentum it is necessary to refine the current approach. Accordingly, the intention is to continue with the design of Phase 1 to RIBA stage 4 (Technical Design) this will produce the detailed architectural and engineering designs and specifications ready for tendering and construction. At this stage Building systems will be finalised, and a detailed design programme will be produced.
- 4.12 The aforementioned necessary review of the original Phase 1 development has led to the formulation of Phase 1A proposals that will deliver most of the original identified benefits, ensuring that that the necessary radical intervention is progressed at the earliest opportunity in accordance with the St Helens Town Centre Masterplan Development Framework to act as the catalyst for change and enable new funding sources to be accessed for the remaining elements of Phase 1 and the wider masterplan.
- 4.13 The Phase 1A proposals include for delivery of the planned new hotel, market hall, retail, residential and bus station components, together with related and connecting public realm improvements. Alongside the delivery of this catalytic Phase 1A development, strenuous efforts will continue to find appropriate funders and occupiers to facilitate the remainder of the original Phase 1 concept, being provision of the new offices and the refurbishment/reuse of the former Marks and Spencer building (referenced as Phase 1B).

Phase 1A Delivery Programme

- 4.14 The English Cities Fund, in conjunction with the Council, are advancing the detailed designs for Phase 1A proposals and procurement of a main contractor to enable earliest works commencement and completion. Subject to approval of the recommendations set out in Section 2 of this report the following key deliverables are currently envisaged:
- Commence Demolition of Hardshaw - Spring 2024
 - Construct Temporary Bus Station – Spring 2024 to Autumn 2024
 - Commence Construction of Phase 1A - Autumn 2024
 - Complete Construction of Phase 1A – Autumn 2026

- 4.15 In order to maintain momentum a procurement process has been undertaken to identify a potential Construction partner. It is proposed to enter into a Pre-Contract Services Agreement (PCSA) with the identified partner, Vinci to obtain technical build advice and detailed costs information in advance of entering into a formal construction contract.
- 4.16 The timetable is dependent on the acquisition of properties and related interests negotiated settlement continues to be the Council's preferred route. On the 23 August 2023, the Planning Inspector, Mr Mike Worden issued his decision that confirmed the St Helens Borough Council (St Helens Town Centre) Compulsory Purchase Order 2022. The Inspector concluded that; *"there is a compelling case in the public interest for the CPO to be confirmed. I therefore confirm the St Helens Borough Council (St Helens Town Centre) Compulsory Purchase Order 2022, subject to modifications on the Order relating to parties served notice"*. A copy of the Planning Inspector's decision is attached at Appendix C. Officers will now complete all of the necessary actions to finalise the Compulsory Purchase Order, contract sums and negotiation, to reflect general market conditions.

5 Consideration of Alternatives

- 5.1 Two alternative approaches have been considered. The first would involve reducing the quality standard of the original Phase 1 proposals by value engineering to get closer to the financial envelope the Council has identified. The second would involve pausing the whole regeneration scheme whilst awaiting better economic conditions.
- 5.2 Reducing the standard of the scheme is not considered a viable option for several reasons. As explained earlier in this report, the Phase 1 development represents the start of a longer term and multi-phased commitment to the radical transformation of St Helens town centre in accordance with Our Borough Strategy and the Masterplan Development Framework. It is therefore setting the quality benchmark and aspiration for all future development activity across the borough, and it would be a false economy to reduce its standards. Furthermore, the funding gap to the original Phase 1 proposals is nearly £30m with additional revenue costs of £1.5m and it is highly unlikely that this gap could be found through value engineering whilst retaining a scheme of any lasting regenerative benefit. The risks assigned to the Council would also increase, with it being responsible for the larger scheme at this time (particularly the office component), with potential adverse impacts on the future revenue position.
- 5.3 With regards to the second alternative approach, involving a pausing of the scheme, town centre regeneration has been identified as a priority Our Borough Strategy in response to extensive community feedback. Delivering a better town centre is key to unlocking the wider economic benefits for the borough of St Helens and communities have understandably been left frustrated by a series of previous false dawns. If the scheme were to be paused, then all the positive momentum that has been garnered over the last 3 years would be lost and it difficult to determine how long the Council would be waiting for better economic conditions and the scheme would undoubtedly cost more in the future. The negative impact on the resident and business community is immeasurable if this option was pursued.

6 Conclusions

- 6.1 In accordance Our Borough Strategy, the regeneration of St Helens town centre is a priority for the Councils partnership with the English Cities Fund, and significant progress has been made across a range of activities to enable the development of Phase 1. The Phase 1 regeneration area for St Helens town centre is located at its very heart, and the ambitions are for a high-quality aspirational development that will act as a catalyst for the necessary radical transformation of St Helens town centre and improve the viability for delivery of future phased initiatives in general accordance with the adopted Masterplan Development Framework.
- 6.2 From the outset of the strategic partnership with the English Cities Fund it was recognised that the deep-rooted challenges facing St Helens town centre would require investment from the Council investment to enable the Phase 1 development. During the period of design advancement following adoption of the Masterplan Development Framework in February 2022 significant changes have been experienced across the global economy, which have necessitated to review the delivery strategy for the St Helens town centre Phase 1 development.
- 6.3 A pragmatic solution has been identified by the English Cities Fund partnership to enable continued advancement of Phase 1 with the earliest progression of a Phase 1A regeneration initiative within the Council's current financial envelope and without creating additional pressure on other budgets, with the high-quality Phase 1A development comprising a new hotel, bus station, market hall, modern retail units, residential dwellings and high-quality public realm.
- 6.4 Alongside the delivery of this catalytic Phase 1A development, strenuous efforts will continue to find appropriate funders and occupiers to facilitate Phase 1B (the remainder of the original Phase 1 concept), being provision of the new offices and the refurbishment/reuse of the former Marks and Spencer building.
- 6.5 Cabinet is invited to note the positive progress with the St Helens town centre regeneration initiative and approval is sought to invest £69.2m for phase 1A of the Town Centre scheme together with delegations of authority as set out in the recommendations at Section 2 of this report.

7 Legal Implications

- 7.1 This report generates a number of legal implications for the Council with respect to the Overarching Development Agreement that governs the ECF partnership, the required Hotel Management and Franchise Agreements and the Pre-Contract Services Agreement.
- 7.2 On the 5 October 2022 Cabinet approved a review of the current English Cities Fund Partnership Overarching Development Agreement (ODA) and delegated authority to the Executive Director of Place Services to finalise a Deed of Variation. Since that time significant negotiations have taken place that culminate in a number of changes to the original ODA which will be implemented by way of a Deed of Variation in accordance with the delegation. These changes are required to reflect the amended balance of risk within the partnership and the different roles that the ECF partnership will undertake in future development.
- 7.3 External solicitors have been commissioned to review the Franchise Agreement and Hotel Management Agreement, and to advise and negotiate any necessary

amendments to the same. Discussions will be required with the Council's external advisors in order that Council Officers are fully apprised of the provisions and implications of such agreements and that any risk to the Council is mitigated.

8 Equality Impact Assessment

- 8.1 The Equality Impact Assessment identified that the St Helens Town Centre Masterplan Development Framework provides an opportunity to drive transformational change for St. Helens town centre. This will generate physical regeneration benefits on the ground but also have wider reaching positive impacts for the local community, businesses, and occupiers in the town. Such benefits include driving economic growth and job creation, enhanced greenspace and public realm, providing a more sustainable town centre – adapted to climate change, with less reliance on the private car, increasing the visitor economy, celebration of the borough's unique cultural and heritage assets, addressing local housing need, positively changing perceptions of its towns (and the wider Borough) and attracting future inward investment into the town. This was assessed and prepared for the Town Centre Regeneration & Living Town Deal Business Case.

9 Social Value

- 9.1 Social Value is a key priority for both St Helens Borough Council and the English Cities Fund. The Town Centre Regeneration & Living Business Case advises that the Phase 1 development is expected to deliver strong place-based impacts in terms of employment and Gross Value Added (GVA). It predicts in the order of 485 gross jobs across the development once it is fully occupied, generating £23.2m GVA each year.
- 9.2 Social Value Portal have been commissioned by the partnership to prepare a bespoke strategy to maximise social value opportunities in both town centres during the initial regeneration programme activities.
- 9.3 To create a place-based approach that will ensure local needs and priorities are met, Social Value Portal have conducted a detailed 'needs & opportunities analysis to identify the specific local community needs that the scheme can contribute towards. This was undertaken by analysing public data sets as well as St Helens Borough Council policies.
- 9.4 Community engagement is also critical to inform the outcomes. Schools led engagement with over 100 local young people has taken place to date, along-with a public consultation pop-up event in St Helens town centre. Workshops also took place with key stakeholder groups, including local businesses, training providers and organisations in May 2023. These covered two themes - Local Employment, and Skills & Health Wellbeing and Environment.
- 9.5 The Phase 1 Social Value Strategy for St Helens has been prepared, which sets out targets that will be embedded in action plans, split into 5 key areas:
- Design Team Social Value
 - Community Engagement
 - Local Economy & Supply Chain
 - Education, Skills & Employment
 - Health, Wellbeing & Environment
- 9.6 The final Project Strategy and Action Plans will be available in Autumn 2023.

10 Net Zero and Environment

- 10.1 The comprehensive Muse Sustainable Development Framework was adopted by the English Cities Fund to benchmark objectives and indicators for the proposed Phase 1 development. A bespoke sustainability Key Performance Indicators (KPI) set has been designed for each building typology within the masterplan, to create a market leading approach, anchored on five key themes:
- Net Zero Carbon
 - Enhancing Biodiversity
 - Social Value
 - Circular Economy
 - Healthy & Wellbeing
- 10.2 Performance is monitored against the target KPI set throughout each RIBA design stage, and a performance report issued at the end of each stage.
- 10.3 The regeneration scheme has market leading market-leading aspirations in terms of sustainability, which includes timber structures for the office and market hall to greatly reduce embodied carbon and whole life carbon; low energy and efficient buildings that provide an indoor environment to positively impact on occupant's wellbeing, including good daylight and thermal comfort; on-site renewable energy generation via extensive PVs; and the scheme also eliminates the use of fossil fuels with an all-electric servicing strategy (no gas served equipment to be proposed).

11 Health and Wellbeing

- 11.1 The delivery of the proposed Phase 1 regeneration scheme will positively influence a considerable number of wider determinants of health such as employment, skills, and quality of place. The creation of high-quality public realm and high-quality spaces for people to actively socialise will support wellbeing and will encourage more active lifestyles. Investment in the new bus station and provision of improved pedestrian and cycle facilities will encourage greater use of active travel which will generate positive health outcomes. Further opportunities to incorporate positive health and wellbeing outcomes will be developed through the design and implementation process for the Phase 1 development.

12 Equality and Human Rights

- 12.1 An Equality Impact Assessment has been completed for the St Helens town centre development and is attached at Appendix A. The assessment has found no direct or adverse equality or human rights implications relating to the development.

13 Customer and Resident

- 13.1 The proposals included in the Phase 1 regeneration programme will directly benefit both the customers and residents of St Helens town centre and the wider borough as outlined in the Town Deal Business Cases.
- 13.2 Extensive and positive resident and customer engagement took place during the six-week consultation in November/December 2021 on the St Helens Town Centre Masterplan Development Framework to ensure that communities are fully engaged in the detailed components and delivery of the proposals, including the first phase development. Additional consultation and engagement have also taken place as an integral part of the Hybrid and Reserved Matters planning stages by the English Cities Fund.

14 Asset and Property

- 14.1 To facilitate the delivery of the proposed Phase 1A development, it is necessary to purchase several properties and tenancies. The Council has conducted negotiations with the owners of properties and tenancies and has been able to secure agreement to purchase with most parties. The land being acquired for the bus station would be leased to Merseytravel/Liverpool City Region Combined Authority on a long-term basis to operate the new bus station.
- 14.2 There are several other properties that it will be necessary to acquire to progress the delivery of the Phase 1 development. Negotiations are ongoing with the relevant property occupiers and owners, as is explained in Section 4, and these negotiations will continue alongside the Compulsory Purchase Order (CPO) process as acquisition by agreement will remain the Council's favoured means of assembling the land and interests needed for the first phase.
- 14.3 Negotiation and engagement with property owners may be unsuccessful and, therefore, a risk remains that the Council and the ECF partnership will be unable to secure the land and property necessary to progress the delivery of the first phase. Therefore, the use CPO powers would be required to facilitate the requisite transformational change across St Helens town centre.

15 Staffing and Human Resources

- 15.1 There are no staff and human resource implications directly from this report as the initial next steps will be performed by existing resources within the Growth Department, Finance Service, Legal Service, working alongside the English Cities Fund and existing appointed external professional services support.
- 15.2 However, moving forwards, to mitigate the financial exposure risk to the Council when agreeing the development cost with the English Cities Fund and appointed contractor, and during the construction period, it is recommended that an independent Cost Consultant be appointed by the Council. This will be the subject of separate reporting in accordance with the Council's constitution for external professional service appointments.

16 Risks

- 16.1 The St Helens Town Centre Regeneration programme environment maintains a full risk register that identifies a range of risks facing the programme. This is reviewed at regular intervals ensuring appropriate mitigating actions are undertaken and the risks are mitigated as per expectations. The risk register can be found at Appendix D. The following risks are highlighted for further consideration.
- 16.2 Further increased costs from design or inflation are a risk to delivery. To mitigate the financial exposure risk to the Council when agreeing the development cost with the English Cities Fund and the appointed contractor, it is recommended that an independent Cost Consultant be appointed by the Council to ensure the Council has the necessary skill and experience to be an intelligent client.
- 16.3 Programme slippage through design and construction is a risk to the timetable identified in paragraph 4.20. To mitigate this ECF have conducted early procurement processes and design measures to reduce impact on delivery dates.

- 16.4 Changes to the revenue elements of the scheme will need to be managed to eliminate any future pressures on Council budgets. Planned drawing-down of debt will fix the interest element and mitigate the major element. Modelling of the hotel and market elements will remain under review and opportunities to further mitigate the financial position may arise.
- 16.5 The next stage of design of the bus station element is required to be completed for the final business case to be submitted to Liverpool Combined Authority for approval of funding. Whilst there is a risk that the funding may be declined, officers of Council and the CA have been working closely on the design and how it integrates with the wider programme.
- 16.6 Subsidy control issues always need to be examined as the Council makes large investments. An initial review identified some potential challenges around the housing element, but some mitigations have been proposed. Changes to the delivery model on the housing element identify a potentially greater role of affordable housing within the proposal. Once the final position is determined, it will be tested against the subsidy control template and, if identified, any risks and mitigations will be implemented.

17 Finance

- 17.1 The finance focus is on the implementation of the Phase 1A development proposals introduced in Section 4. Table 1 below shows the capital budget requirements for Phase 1A development (excluding the bus station as this is expected to be grant funded). This includes the design costs initially incurred by the English Cities Fund for the assets that will move into Phase 1B for construction. Table 1 also includes all design fees, including those funded directly by ECF to date, as described in the report to Cabinet on 5 October 2022. If approval for the scheme is granted and relevant contracts / design proposal notices are agreed, these costs will be transferred onto the Council in full.

Table 1: Capital Costs and Financing Requirements

| Description | Total (£m) |
|---------------------------------------------------------------|--------------|
| Office | 4.64 |
| Hotel (120 key) | 23.40 |
| Residential | 24.17 |
| M&S Wrap/Retail | 1.25 |
| Market Hall | 15.98 |
| Infrastructure / Public Realm | 19.42 |
| Contingency | 1.83 |
| Total Construction Costs (including fees & profit) | 90.69 |
| Funding - ECF Residential | (8.94) |
| One Public Estate Brownfield Land Grant Secured | (0.81) |
| Town Deal- Town Centre Living & Regeneration Secured | (7.24) |
| Residential - Anticipated Grant Funding | (4.50) |
| Net Council Financing Requirement | 69.20 |

- 17.2 The residential element is currently being reviewed with options to work alongside a registered housing provider being explored for the inclusion of affordable housing options. Grant funding from Homes England and other sources will be sought, and a notional income level of £4.5m has been factored into the above projections, which reduces the viability gap required to fund this. This is not currently guaranteed and at this stage it has not been identified if any secured grant will be directly awarded to the English Cities Fund or through the Council.
- 17.3 Long term revenue implication modelling has been put together as part of the project decision making. This includes a 40-year lifetime assessment of the assets, which also matches the expected timeline to repay the borrowing requirements. The first 5 years shows an impact to the Council's revenue budget as in the following table 2. This covers the costs of borrowing including Minimum Revenue Provision (MRP) and interest, and the revenue generated from the hotel operator. This shows an expected ongoing annual revenue cost of £4m which is for the lifetime of 40 years. This is based on no Corporation Tax liability for the hotel income.
- 17.4 The revenue implications are set out in the following table. The current Medium Term Financial Strategy makes a provision for the Revenue cost of capital of £2.61m per annum. This original allocation was predicated on the full financing costs of the office and hotel within original Phase 1 concept would be met by the respective rent streams. However, as discussed in Section 4 of this report, the increased building costs and the major shift in interest rates from c2% in 2021, and now c5.5% has changed the scenario. The updated position therefore requires an ongoing annual revenue budget of £1.4m per annum although there may be some fluctuations in the initial years due to phasing of the implementation.

Table 2: Revenue Implications

| Description | 2027/28 | 2028/29 | 2029/30 | 2030/31 | 3031/32 |
|----------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| | £m | £m | £m | £m | £m |
| Cost of Capital- Construction Costs | 4.32 | 4.32 | 4.32 | 4.32 | 4.32 |
| Cost of Capital- Acquisitions & Compensation | 0.70 | 0.70 | 0.70 | 0.70 | 0.70 |
| Hotel Revenue | (0.85) | (1.02) | (1.02) | (1.00) | (1.01) |
| Total Revenue Budget Requirements | 4.18 | 4.01 | 4.01 | 4.03 | 4.01 |
| Total Predicted Revenue Funding for MTFS | 2.61 | 2.61 | 2.61 | 2.61 | 2.61 |
| Additional Revenue Requirements | 1.57 | 1.40 | 1.40 | 1.42 | 1.40 |

- 17.5 The Council's financial position continues to be challenging and ongoing revenue savings are required to balance the Medium-Term Revenue budget. Mitigations to reduce this budgetary revenue impact will be carried out such as use of capital receipts to reduce the need to borrow and work will continue throughout the project delivery phase to confirm the final revenue operating income and expenditure requirements for the time period when the assets go live in 2026/27.

- 17.6 The financing for the bus station design and construction is all expected to be covered by external grants. This includes £3.25m from Town Deal and a final figure to be confirmed with Liverpool City Region Sustainable Transport Strategy for the remainder. Additional capability grants are currently being sought to ensure that the design work can continue as planned which is via the procurement carried out by the English Cities Fund. The expected cost of this is circa £2.0m and once the design has been completed to the next RIBA design stage, a Full Business Case will be submitted to apply for the full funding via the Liverpool City Region Combined Authority.

18 Policy Framework Implications

- 18.1 The proposals in this report will directly contribute to positive delivery of the Council's Policy Framework, including Our Borough Strategy, the St Helens Borough Local Plan to 2037, the St Helens Housing Strategy and the St Helens Inclusive Growth Strategy, coupled with initiatives contained within the Town Deal. Successful implementation of Phase 1A development will also be supported by the newly created Growth Board.
- 18.2 The Council's Budget for 2023/24 and its Medium-Term Financial Strategy 2023 to 2026 set out the financial implications of delivering Our Borough Strategy within those years. The cost to the Council for delivering proposals for Phase 1A is identified in this report as £69.2m. This has been included within the Medium-Term Financial Strategy and the additional revenue requirements identified in Table 2 above.

19 Impact and Opportunities on Localities

- 19.1 The Phase 1A development proposals provide a significant positive impact opportunity from a locality's perspective, with the proposals identifying development facilities that could facilitate suitable integration of community services.

20 Background Documents

- 20.1 Extra-ordinary meeting of Cabinet on 6 March 2020
- 20.2 Cabinet Report on 5 October 2022
- 20.3 St Helens Town Centre Masterplan Development Framework
- 20.4 St Helens Our Borough Strategy
- 20.5 St Helens Borough Local Plan
- 20.6 St Helens Community Engagement Strategy
- 20.7 St Helens Borough Housing Strategy
- 20.8 St Helens Inclusive Growth Strategy
- 20.9 Medium Term Financial Strategy 2023-2026 and Revenue and Capital Budget 2023/24
- 20.10 Town Deal Business Cases: Town Centre Living & Regeneration and Connected Places

21 Appendices

- 21.1 Appendix A - Equality Impact Assessment
- 21.2 Appendix B – Phase 1 Illustrative Phasing Plan
- 21.3 Appendix C - Compulsory Purchase Order Decision
- 21.4 Appendix D – Programme Risk Register